

Message Text

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15

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 INT-08 PA-04 PRS-01 USIA-15

AID-20 CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01

OMB-01 NSC-07 SS-20 STR-08 CEA-02 L-03 H-03 DRC-01

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R 140920Z AUG 74

FM AMCONSUL BOMBAY

TO SECSTATE WASHDC 4663

INFO AMEMBASSY NEW DELHI

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E. O. 11652: N/A

TAGS: EALR, EMIN, ETRD, IN

SUBJ: EXPORT OF INDIAN IRON ORE TO UNITED STATES

REF: NEW DELHI 10692 (NOTAL)

1. CHOWGULE AND COMPANY PRIVATE LIMITED, MORMUGAO, GOA, HAS ENTERED INTO A CONTRACT WITH THE U.S. STEEL CORPORATION TO SELL ONE MILLION METRIC TONS OF IRON ORE DURING A PERIOD OF FOUR YEARS BEGINNING OCTOBER 1974. THE ORE, WHICH WILL BE OF GOAN ORIGIN, WILL BE LOW GRADE (57 PERCENT FE) WITH SOME ALUMINA CONTENT AND WILL NOT BE PELLETIZED.

2. THIS IS THE FIRST TIME THAT INDIAN IRON ORE HAS BEEN SOLD TO A BUYER IN US. SO FAR AMERICAN MARKET WAS NOT CONSIDERED WITHIN ECONOMIC DISTANCE FOR SALE OF INDIAN ORE BECAUSE SHIPPING FREIGHT CONSTITUTED A CONSIDERABLE PART OF PURCHASE PRICE. BUT PRICE OF ORE HAS RISEN WITHIN RECENT MONTHS AND PRICE OFFERED FOR CHOWGULE ORE IS SAID TO BE UNCLASSIFIED

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HIGHER THAN PRICE AT WHICH JAPANESE FIRMS BUY GOAN ORE.

HOWEVER, DETAILS OF PRICE WHICH U.S. STEEL CORPORATION
WILL PAY ARE NOT AVAILABLE.

3. V.D. CHOWGULE, CHAIRMAN OF GOA FIRM, WHO RECENTLY
RETURNED TO INDIA AFTER SIGNING SALES CONTRACT WITH US
FIRM, TOLD LOCAL PRESS REPORTERS THAT HIS FIRM HAD BEEN
TRYING FOR LAST FIVE YEARS TO SELL LOW GRADE IRON ORE IN
AMERICAN MARKET. HIS COMPANY'S MINES IN SIRIGAO IN GOA HAS
RESERVES OF SOME 12 MILLION TONS AND PRESENT CONTRACT WILL
ENABLE HIS FIRM TO DEVELOP MINES RAPIDLY.

4. ACCORDING TO MR. CHOWGULE, TERMS OF CONTRACT ARE ON
F.O.B. BASIS AND THIS ENTITLES BUYER TO NOMINATE SHIPS
FOR TRANSPORT OF ORE. HOWEVER, IF INDIAN SHIPS QUOTE
COMPETITIVE RATES THEY WOULD BE ABLE TO SHARE IN FREIGHT
EARLINGS.

5. ALTHOUGH EXPORTS OF IRON ORE FROM INDIA ARE
"CANALIZED" THROUGH STATEOWNED MINERALS AND METALS TRADING
CORPORATION (MMTC), MINEOWNER/EXPORTERS IN GOA ARE
PERMITTED TO ENGAGE IN DIRECT SALE OF ORE. THIS PRIVILEGE THEY
HAVE ENJOYED SINCE 1961. HOWEVER, RECENTLY THERE HAVE BEEN
RUMORS THAT MMTC MAY "CANALIZE" EXPORTS OF GOAN IRON ORE
TOO, BUT CONFIRMATION IS LACKING. GOA MINEOWNER/EXPORTERS
HAVE LONG TERM CONTRACTS WITH JAPANESE BUYERS AND THEY EXPORT
FROM GOA SOME 12 MILLION METRIC TONS OF ORE ANNUALLY TO
JAPAN AND OTHER DESTINATIONS AGAINST AN EXPOR OF ONLY
8 MILLION TONS BY MMTC FROM REST OF INDIA. GOVERNMENT
HAS, HOWEVER, STIPULATED FLOOR PRICES FOR GOAN ORE BELOW
WHICH SALES WILL NOT BE APPROVED. IT IS NOTED FROM RECENT
PRESS REPORTS THAT GOA EXPORTERS ARE ASKING FOR HIGHER
ORE PRICES FROM JAPAN IN VIEW OF INFLATION AND RISING COSTS
OF PRODUCTION.

6. COMMENT: CHOWGULE'S BREAKTHROUGH IN AMERICAN MARKET,
THOUGH SMALL IN VOLUME AND VALUE, IS WELCOME DEVELOPMENT.
FREIGHT DIFFERENTIAL WHICH MADE INDIAN ORE UNECONOMIC
ACROSS ATLANTIC TILL NOW HAS APPARENTLY BEEN PARTIALLY
COVERED IN WAKE OF RISING WORLD PRICES.

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